



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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Daily Outlook

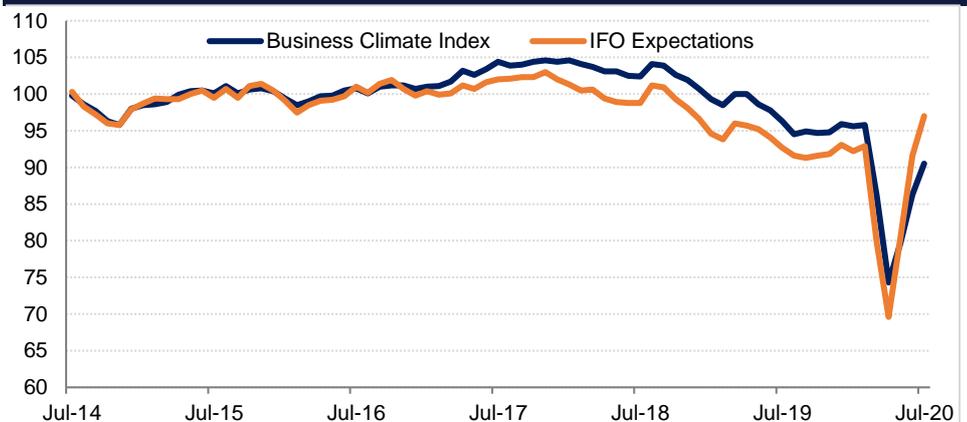
Senate Republicans have proposed a USD 1tn fiscal support package which includes a reduced federal unemployment benefit of USD 200/week (down from USD 600/week set to expire at the end of this month) for two months, after which states would provide benefits up to 70% of previous wages. The proposed package also includes another round of USD 1,200 stimulus cheques for those earning less than USD 75k pa up to USD 6,000 per household, additional funding for education, liability protections against Covid-19 related lawsuits, extension of the Paycheck Protection Program for small businesses and more funding for coronavirus testing and contact tracing. Talks between the Republicans and Democrats, who have proposed a USD 3.5tn plan, started on Monday evening and are set to continue today. There is also opposition within the Republican Party to the proposed plans.

Durable goods orders in the US rose by a larger than expected 7.3% m/m in June, although this was largely due to motor vehicle orders as factories reopened. Nevertheless, the data suggests that business equipment investment held up relatively well in Q2. The Dallas Fed Manufacturing Index also came in slightly better than expected in July, although still in contraction territory. Firms also noted that uncertainty about the outlook remained high. Encouragingly, the survey pointed to a modest increase in employment in Texas in July, the first increase since January.

Germany's IFO Business Climate Index rose by more than expected to 90.5 in July, with the expectations component improving sharply to 97.0 from 91.6 in June, and the highest reading since 2018. The improvement was evident across all sectors and likely reflects optimism following the EU's approval of a EUR 750bn stimulus package earlier this month.

Gold prices pushed to a new record level as markets priced in more geopolitical tension between the US and China along with anxiety over the sustainability of economic recoveries in the US, Europe and elsewhere. The slump in benchmark government bond yields - with 10yr UST yields below 0.6% - and a likely affirmation from the Federal Reserve this week that rates will be on hold for a long time coming will also help to keep a bid under gold in the short-term. There are few barriers to gold prices testing higher and a push above USD 2,000/troy oz certainly seems plausible. However, physical buying in core consumer markets—India or China for example—may be limited given that gold priced in local currencies had already breached record levels and may be out of reach as an investment.

German IFO business climate index improves in July



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US Conf. Board Consumer Confidence	18:00	94.7	Richmond Fed Manufacturing Index	18:00	5

Fixed Income

Treasuries slipped to begin the trading week as markets were encouraged by a new US stimulus plan, this one proposed by the Republicans in the Senate. While the boost to the economy of around USD 1tn is far smaller than the Democrats' more extensive plan, the Republican package will nevertheless form the basis of negotiation and should help to keep a bid under risk assets near term. Yields on the 2yr UST moved back up to a 0.15% handle while yields on the 10yr rose almost 3bps to settle above 0.61%.

EM bonds pushed higher to start the week, gaining 0.12%. Local USD-bonds also advanced. The primary GCC market remains quiet at the moment although Oman is looking to set up a USD 2bn bridging loan with several local banks.

Ratings agency Moody's has downgraded Lebanon's rating to its lowest possible score at Ca, reflecting the parlous state of Lebanon's government finances and the unlikely prospect of any improvement any time soon. Lebanon defaulted on its dollar debt for the first time in its history in March as it struggled under a financial and political crisis, and this has in the meantime been compounded by the coronavirus pandemic; Lebanon yesterday reimposed severe restrictions around the country for two weeks, closing places of social interaction and severely curtailing shops' opening times.

FX

The dollar continued its losing streak on Monday. The DXY index reached new lows for the year of 93.700, marking a decline of over -0.75% for the session. USDJPY slipped to trade at 105.40, just below the 38.2% one-year Fibonacci retracement of 105.40 as the bearish sellers maintain a stranglehold on the dollar amid escalating tensions between the US and China.

Meanwhile the euro just keeps pushing higher, with the currency advancing by over 0.70% to reach two-year highs of 1.1740. Sterling also rallied to trade at 1.2860. Brexit concerns have been put on temporary hold for now and the next key indicator to watch for will be the 76.4% one-year Fibonacci retracement of 1.3018. The AUD and NZD both had similarly positive sessions to trade at 0.7140 and 0.6670 respectively.

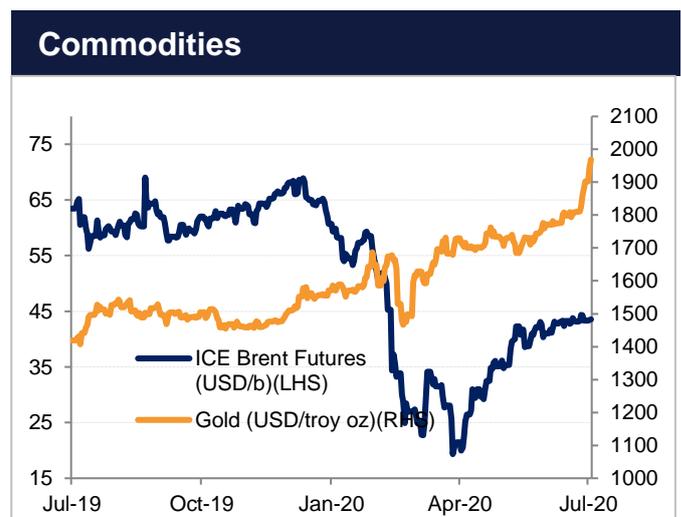
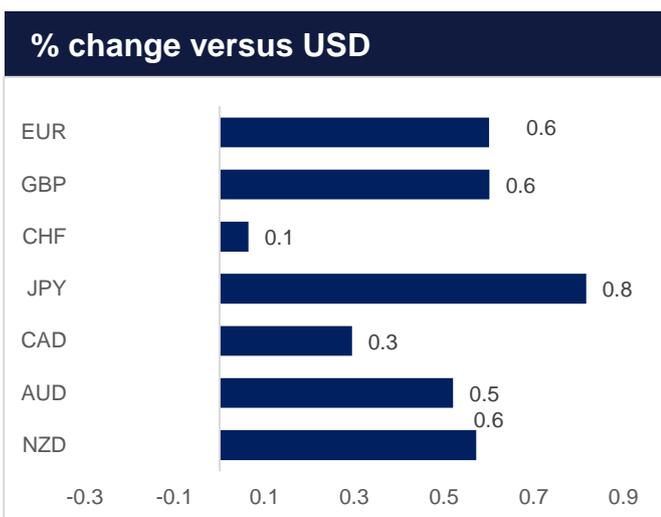
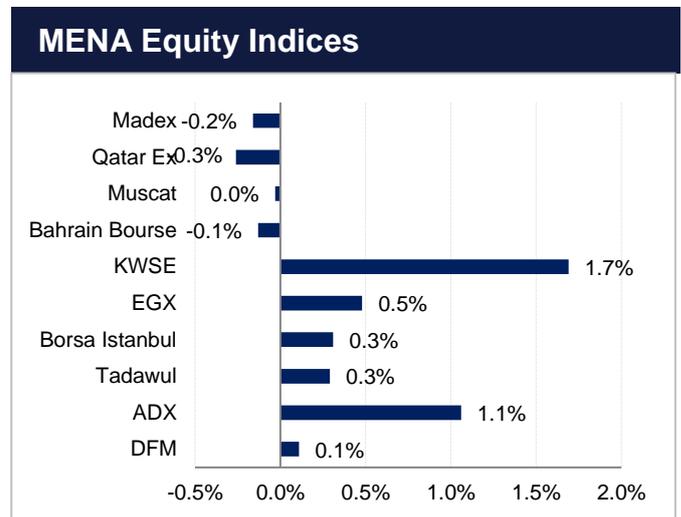
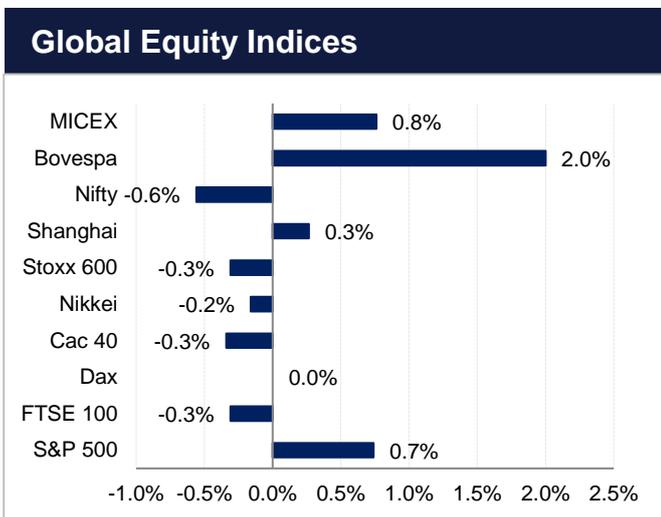
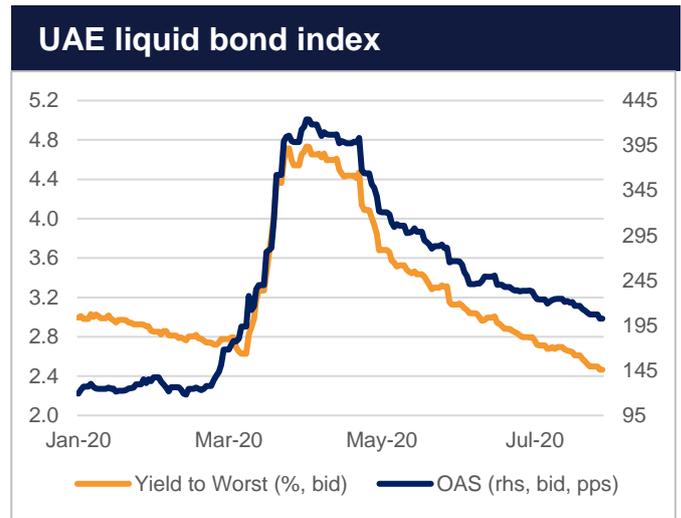
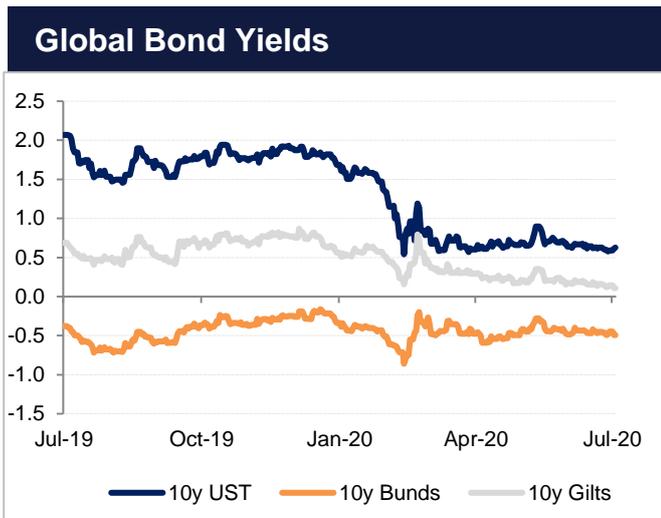
Equities

US equities fared well yesterday as positive sentiment around a solid durable goods orders result was bolstered by hopes for agreement being reached on additional government stimulus this week, and that the Fed will underscore its commitment to ultra-loose monetary policy at its meeting tomorrow. The S&P 500 gained 0.7% and is now up 0.3% ytd, while the Dow rose 0.4% and the NASDAQ 1.7%. European equities were less positive, and while the DAX closed flat yesterday, the CAC and the FTSE 100 both closed down 0.3%. In the UK, travel stocks in particular took a drubbing after the surprise imposition of quarantine on travelers returning from Spain. Equities in the region were broadly positive, with the DFM and the Tadawul climbing 0.1% and the ADSM 1.1%.

Commodities

Oil prices managed to advance with both Brent and WTI gaining to start the week and extending that move in early trading this morning. However, as we noted in our weekly oil market report, non-oil variables are the main factor affecting markets this week. The weakness in the US dollar is supporting all commodities with metals prices showing strong daily performances as well.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1726	+0.60	1.1819	USDTRY	6.8499	+0.05	EURAED	4.3072	+1.23
GBPUSD	1.2871	+0.60	1.2896	USDEGP	16.0096	+0.15	GBPAED	4.7269	+1.09
USDJPY	105.28	-0.81	104.67	USDSAR	3.7509	+0.01	JPYAED	0.0349	+1.10
USDCAD	1.3374	-0.31	1.3372	USDQAR	3.6800	+0.73	CADAED	2.7462	+0.44
AUDUSD	0.7142	+0.52	0.7142	USDKWD	0.3061	-0.17	AUDAED	2.6230	+1.06
USDCHF	0.9203	-0.03	0.9104	USDBHD	0.3770	--	CHFAED	3.9924	+0.55
EURGBP	0.9111	+0.01	0.9166	USDOMR	0.3851	+0.03	TRYAED	0.5400	+0.65
USDAED	3.6729	-0.00	3.6782	USDINR	74.8375	+0.01	INRAED	0.0552	+12.51

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.3007	0.5688	0.7513	1.1664	USD 2 yr	0.208	-0
USD LIBOR	0.1663	0.2696	0.3166	0.4569	USD 5 yr	0.296	-1
GBP LIBOR	0.0703	0.0873	0.1746	0.3119	USD 10 yr	0.569	-1
JPY LIBOR	-0.0668	-0.0488	-0.0295	0.1030	EUR 2 yr	-0.398	-0
CHF LIBOR	-0.7802	-0.7044	-0.6572	-0.5264	EUR 5 yr	-0.372	-1
					EUR 10 yr	-0.215	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1942.24	+2.11	ADGB 2.50 25	1.07	-2	Abu Dhabi	53	-1
Silver	24.52	+7.71	DUGB 3.89 25	1.36	-2	Bahrain	309	-28
Oil (WTI)	41.60	+0.75	QATAR 3.4 25	1.17	-1	Dubai	179	-3
Aluminium	1670.00	+0.41	US Tsy 2 yr	0.15	+0	Oman	450	-27
Copper	6426.50	-0.06	US Tsy 10 yr	0.62	+3	Qatar	51	--
						Saudi Arabia	87	-2

Source: Bloomberg, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Khatija Haque
Head of Research &
Chief Economist
+9714 230 7803
khatijah@emiratesnbd.com

Research

Edward Bell
Senior Director, Market Economics
+9714 230 7701
edwardpb@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 609 3015
shadyb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Jamal Mattar
Research Analyst
+9714 444 3607
jamaly@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
+20 22 726 5040

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@emiratesnbd.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com